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CENTRAL INTELLIGENCE AGENCY

Office of Legislative Counsel
Washington, D. C. 20505

[Redacted]

TO: *Barb Allen SFRC*
5-116, The Capitol

Barb:

*Enclosed are inserts for
the record that are answers
to questions asked by Senator
Bell during the Director's
World Wide Testimony.*

[Redacted]

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Global Arms Sales, 1981: Preliminary Assessment

After surging to an all time record high of \$43 billion in 1980, preliminary data indicate that global arms sales to the Third World slumped last year to about \$26 billion, a level comparable with pre-1980 sales. Of the major suppliers, only China experienced an increase in new military equipment orders. Most major buyers stayed out of the market to absorb large delivery backlogs from orders placed in 1978-80. Syria, Iraq, and Ethiopia were the notable exceptions, each signing record arms agreements:

- Syria \$3 billion purchase from the USSR;
- Iraq over \$2 billion in new orders from China,
 another \$1 billion with Eastern Europe, and
 over \$1 billion from Western Europe;
- Ethiopia \$1.7 billion order placed with the USSR.

Communist Sales

Although Moscow did not sustain its arms sales volume of last year, new orders topped the \$6 billion mark, staying well above the 1974-79 average. In addition to the large Syrian and Ethiopian buys, the USSR picked up sizable orders from Angola

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(\$150 million), Nicaragua (\$100 million), Iran (\$220 million), Jordan (\$225 million), Afghanistan (\$230 million), and India (\$300 million).

Eastern Europe enjoyed its best arms sales year ever (\$2.4 billion), nearly quadrupling the record set in 1980. The Iran-Iraq war was a major factor for the surge. Iraqi orders made up over one-half of the total, as Baghdad turned to alternate suppliers for replacements of its Soviet inventory.

Non-Communist Suppliers

Non-Communist arms sales to LDCs fell to about one-half the level of 1980, as most of the premier buyers of western equipment elected to cut back. For the first time in nearly a decade, US sales fell below \$8 billion annually, with Saudi purchases from the US dropping below \$3 billion. Purchases by Jordan, Egypt, and Israel also were much below recent averages.

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Declining economic conditions worldwide, matched against endemic political and social instability in the Middle East -- where three quarters of all arms are sold -- makes it difficult to predict this year's likely military sales total. OPEC's declining oil revenues, and its mounting military and economic development debts, will act to temper further huge arms purchases. At the same time, however, the Iraq-Iran war, together with the growing unrest in Lebanon, Syria, North Yemen and elsewhere in the region suggest large arms flows into the area will continue, and could even increase. Both Communist and non-Communist sellers of arms are pressing hard for new military

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equipment sales in order to soften domestic economic slumps and also to gain leverage with their main sources of oil. France, followed by the UK and Italy, should show much better sales results in 1982. France already has scored twice, with \$2.5 billion in sales for Mirage 2000 fighters and other equipment to Egypt and India. US sales to LDCs are scheduled to rebound sharply in 1982, to roughly \$15 billion.

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Million US \$

Arms Sales to the Third World, by Supplier

	1974-80	1974	1975	1976 ^a	1977	1978	1979	1980
Total^b	191,301	23,286	21,439	24,908	26,184	24,438	27,755	43,291
Non-Communist	133,717	15,136	16,381	18,030	16,085	20,942	19,111	28,032
Of which:								
United States ^c	73,403	10,076	10,097	13,775	8,057	9,761	10,956	10,681
France	23,786	2,396	2,311	1,075	3,136	2,724	4,309	7,835
Italy	7,473	513	1,019	237	1,168	1,341	342	2,853
United Kingdom	10,923	746	1,128	647	1,425	3,590	1,258	2,129
West Germany	8,484	687	1,021	950	1,233	2,411	893	1,289
Communist^d	57,584	8,150	5,058	6,878	10,099	3,496	8,644	15,259
USSR								
At US costs	49,592	7,211	3,694	5,743	9,214	2,494	7,260	13,976
At Soviet export prices	48,067	5,733	3,325	6,065	9,214	2,494	7,260	13,976

^a Data include the US fifth quarter, when the US fiscal year was changed. Data excluding the fifth quarter are: total \$22,153 million; non-Communist \$15,275 million; and the United States \$11,020 million.

^b Including sales to Greece and Turkey but excluding sales to Spain and Portugal.

^c Fiscal year data.

^d Including sales by Cuba, North Korea, Vietnam, and Yugoslavia. In 1974-76 data are estimated at US costs (what it would cost the LDCs to have purchased the equipment in the United States). Beginning in 1977, US costs and Soviet trade prices appear to have been at roughly the same levels. A US-Soviet cost comparison paper presently under way will refine these data further.

* Note: Annual sales statistics used in this table include sales of major weapon systems and identified associated support services. Except for the United States and the United Kingdom, they do not include any estimates for associated follow-on support packages, technical assistance, munitions, and military construction, all of which usually go undetected.

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